

Senate Committee  
on Budget and Fiscal Review

SUBCOMMITTEE No. 4  
on  
Legislative, Executive, Judiciary,  
Transportation and State Administration

MAJOR ACTION  
REPORT

May 28, 2004

Senate Bill 1095  
2004-05 Budget Bill

*Members*

Joseph Dunn, Chair  
Dick Ackerman  
Denise Moreno Ducheny

*Consultants*

Brian Annis  
Alex MacBain  
Dave O'Toole

# SUBCOMMITTEE No. 4

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## TRANSPORTATION

### **0520 SECRETARY FOR BUSINESS, TRANSPORTATION, AND HOUSING**

- Transferred the \$1.089 million Film California First Fund balance to the GF.
- Approved Finance Letter to provide \$600,000 for the Film Permitting Online System.

### **2600 CALIFORNIA TRANSPORTATION COMMISSION**

- Approved Finance Letter to restore three positions originally proposed for elimination in the Governor's' Budget, but changed the designation of the positions from limited-term to permanent.
- Restored the Legislative Director position that was one of the five positions vacant on June 30, 2003, and eliminated.

### **2640 SPECIAL TRANSPORTATION PROGRAMS**

- Approved Finance Letter to augment the Special Transportation Programs by \$15.9 million, based on higher revenue projections.

### **2660 DEPARTMENT OF TRANSPORTATION**

- Approved additional appropriation authority of \$150 million federal funds and \$150 million State Highway Account with expenditure of the funds contingent on the receipt of increased federal funds. Revised the proposed language to specify the funds should support new State Highway Improvement Program (STIP) and State Highway Operation and Protection Program (SHOPP) project allocations.
- Approved transfer of \$107 million in non-Article XIX revenue from the State Highway Account to the GF. Added provisional language that states no funds shall be transferred that would result in federal penalties.
- Approved an augmentation of \$173.4 million and 376 positions for the Capital Outlay Support Program. Increased state-staff resources and decreased contract-out resources such that the workload augmentation is equally split between the two.

- Approved position restorations to perform critical workload in the following programs: Toll Collections (\$318,000 and 7 positions); Traffic Operations (\$1.6 million and 18 positions); and Maintenance (\$6.8 million and 64 positions).

#### Budget Bill Language

1. Rejected the proposal to delete the Grant Anticipation Revenue Vehicles (GARVEE) bond appropriation. Approved a reporting requirement for any issuance of GARVEE bonds in excess of \$800 million.
2. Approved Control Section 16.00 to direct one-time tribal gaming revenue to the repayment of transportation loans.

#### Trailer Bill Language

1. Approved suspension of Proposition 42 in 2004-05 with a requirement that the suspension is a loan with repayment due in 2007-08.
2. Approved repayment of \$384 million in transportation loans. Approved amendments to allow the 2004-05 transfer of “Public Transportation Account spillover” revenue, up to \$140 million, to the Traffic Congestion Relief Fund as part of the \$384 million repayment of transportation loans.
3. Rejected language that would allow the Business, Transportation, and Housing Agency to prioritize future Traffic Congestion Relief Program project allocations without legislative approval.
4. Amended statute to require a long-range highway maintenance plan.

### **2665 HIGH SPEED RAIL AUTHORITY**

- Approved as budgeted.

### **2720 CALIFORNIA HIGHWAY PATROL**

- Augmented budget by \$28 million, in order for the California Highway Patrol to fill 270 vacant officer positions.

**2740 DEPARTMENT OF MOTOR VEHICLES**

- Approved Finance Letter to augment expenditure authority by \$16.1 million, in order to fill 400 vacant positions and reduce wait times at field offices.

## STATE ADMINISTRATION

### **0840 STATE CONTROLLER'S OFFICE**

- Increased funding by \$1.5 million (reimbursements), \$2.5 million (special funds), and 11 one-year limited-term positions for workload and information technology procurement for the Human Resource Management System—21<sup>st</sup> Century Project. This project will replace the State Controller's Office (SCO) employment history, payroll, leave accounting, and position control systems.
- Augmented the Unclaimed Property Program budget by \$329,000 GF and 5.9 permanent positions to process increased claims workload.
- Increased the State Disability Insurance (SDI) Program budget by \$614,000 GF and two one-year limited-term positions to modify the human resources and payroll systems for the SDI program.
- Approved a budget year request for \$985,000 (reimbursements) to continue California Automated Travel Expense Reimbursement System development.

### **0845 DEPARTMENT OF INSURANCE**

- Transferred the balance of \$2.9 million (California Earthquake Recovery Fund) from the Earthquake Grants and Loans Program to the GF.
- Augmented by \$1.3 million (Insurance Fund) and 12 positions to investigate and prosecute health and disability insurance fraud.
- Increased funding for employee compensation costs for county investigators by \$987,000 (Insurance Fund).
- Distributed \$2.9 million (Insurance Fund) from the Fraud Automobile and Urban Grant Programs to local District Attorneys.

**0860 BOARD OF EQUALIZATION**

- Decreased salary savings by \$5.4 million GF and \$2.9 million (reimbursements) to fund 160 positions. This salary savings correction is estimated to generate \$8.4 million GF in revenues in the budget year and \$18.9 million GF ongoing.
- Appropriated \$4.9 million GF for an alternative cigarette tax stamp. The new stamp is estimated to generate \$5.2 million GF and \$28.2 million (special funds) annually.
- Increased funding by \$718,000 GF, \$345,000 (reimbursements) and \$144,000 (special funds) to begin the repair process for the exterior curtainwall of the BOE building in Sacramento.
- Adopted trailer bill language to close the “90-day loophole” used to evade paying sales tax on large purchases (e.g., yachts and aircraft). This action is estimated to save \$17 million GF in the budget year.
- Appropriated \$8.1 million (Cigarette and Tobacco Products Compliance Fund) to implement the Tobacco Licensing Act (Chapter 890, Statutes of 2003), which mandated that the BOE administer a statewide program to license businesses that distribute cigarettes and tobacco products. This program is estimated to generate annual revenues of between \$58 million and \$87 million (various funds).

**0890 SECRETARY OF STATE**

- Augmented the budget year appropriation by \$260 million (federal funds) and 15 positions to carry out provisions of the Help America Vote Act (HAVA). The Administration and Legislature will review the spending plan for these funds prior to their expenditure.

**0954 SCHOLARSHARE INVESTMENT BOARD**

- Adjusted the GF prior-year balance by \$40 million by adding prior-year funds previously encumbered for earned but unclaimed Governor’s Scholars awards.

**0959 CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**

- Approved a loan of \$3.5 million from the California Debt Limit Allocation Committee Fund to the GF, to be repaid in October 2006.

**0968 CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

- Approved a loan of \$35 million from the Occupancy Compliance Monitoring Account, Tax Credit Allocation Fee Account to the GF, to be repaid in October 2006.
- Approved a loan of \$31 million from the Tax Credit Allocation Fee Account to the General Fund, to be repaid in October 2006.

**1700 FAIR EMPLOYMENT AND HOUSING**

- Approved Finance Letter to increase the federal appropriation by \$1.0 million to address an operating expenses and equipment funding shortfall.

**1730 FRANCHISE TAX BOARD**

- Rejected trailer bill language to impose a compliance audit fee on candidates and lobbyists at the time of filing statements with the Secretary of State. The fee would have reduced a transfer to the Franchise Tax Board (FTB) for this purpose of \$1.42 million GF.
- Rejected a proposal from the Legislative Analyst's Office to establish fees on six FTB services offered to the public. These fees would have generated approximately \$4 million GF annually.
- Augmented the FTB budget by \$10.2 million GF and 72 positions to carry out a tax amnesty program between February 1, 2005, to March 31, 2005. Anticipated budget year revenues from this amnesty are \$185 million GF.
- Increased prior-year revenue estimates by \$100 million GF to reflect updated revenue numbers from the Voluntary Compliance Initiative that occurred earlier this year.
- Increased the FTB's GF appropriation by \$4.3 million GF to provide funding for contracts with tax shelter experts and to backfill 42 audit positions that are being redirected by the FTB to work on abusive tax shelter cases. Estimated revenues are \$28 million GF in 2004-05.
- Augmented by \$17,473,000 (\$5.9 million GF and \$11.5 million Reimbursements) the FTB's budget to provide funding for nine positions and vendor payments in order to continue the development phase for the California Child Support Automation System (CCSAS) project.



- Approved an Administration request to increase the FTB's General Fund support item \$1.3 million GF and two limited-term positions to provide funding to defend a lawsuit filed by a taxpayer in the State of Nevada.
- Added 28.1 personnel-years and \$1.8 million GF for manual review of approximately 268,000 potential personal income tax nonfiler accounts. This review will enable the FTB to generate approximately \$63 million in new General Fund revenues beginning in 2007-08.
- Augmented the FTB budget by \$6.5 million (\$6 million GF) to provide maintenance and operations costs associated with the FTB's new state office building complex.
- Increased FTB funding by \$1 million GF to provide funding for increased computer processing capacity and memory.

#### **1760 DEPARTMENT OF GENERAL SERVICES**

- Approved a loan of \$35 million from the Public School Planning, Design, and Construction Review Revolving Fund to the General Fund, to be repaid in October 2005.
- Approved a loan of \$5 million from the Disability Access Account to the General Fund, to be repaid in October 2005.
- Decreased funding by \$2.4 million GF and 4.8 personnel-years to eliminate budget authority for the "eGovernment" initiative program that will be transferred to the Department of Personnel Administration.
- Added Budget Bill language to require a report to the Department of Finance and the Legislative Analyst's Office on the cost factors reflected in the statewide rental rates.
- Increased funding by \$7 million (\$4 million GF, \$3 million Service Revolving Fund) for ongoing Capitol security operations, maintenance, and enhancements.
- Increased support by \$4.8 million and 28.3 personnel-years to allow the DGS to operate and maintain the Caltrans District 7 (Los Angeles) office building.
- Increased support by \$7.4 million and 71.4 personnel-years to allow the DGS to operate and maintain the Franchise Tax Board headquarters building.
- Augmented DGS local assistance funding by \$3 million (State Emergency Telephone Number Account) to support deployment of enhanced wireless 911 telephone services.

**1880 STATE PERSONNEL BOARD**

- Rejected the Administration's proposal to make a \$600,000 GF reduction to staffing and operating expenses related to merit appeals, examination services, bilingual services, and information technology services.
- Approved the Administration's request to increase the State Personnel Board's main support item by \$549,000 (reimbursements) and 5.5 positions.

**1900 PUBLIC EMPLOYEE RELATIONS BOARD**

- Approved as budgeted.

**1920 STATE TEACHER'S RETIREMENT SYSTEM**

- Approved as budgeted.

**2100 ALCOHOLIC BEVERAGE CONTROL**

- Approved Finance Letter to augment funding by \$496,000, special funds, and establish 10 new positions to perform licensing functions and reduce wait times.

*Trailer Bill Language*

1. Broadens the authority of Alcoholic Beverage Control to accept "petitions for an offer in compromise" and assess a fine in lieu of a suspension, which will provide an additional \$1.3 million in GF revenue.

**2150 DEPARTMENT OF FINANCIAL INSTITUTIONS**

- Augmented \$679,000, special funds, and established 6.0 new positions to implement the Financial Information Privacy Act (SB 1, Chapter 241, Statutes of 2003). Added provisional language requiring a report on SB 1 implementation by January 10, 2006.

**2180 DEPARTMENT OF CORPORATIONS**

- Augmented \$932,000, special funds, and established 10.0 new positions to implement the Financial Information Privacy Act (SB 1, Chapter 241, Statutes of 2003). Added provisional language requiring a report on SB 1 implementation by January 10, 2006.

**2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

- Transferred \$7.3 million School Facilities Fund balance to the GF.
- Augmented the Governor's Budget by \$1.3 million GF for the Emergency Housing and Assistance Program.

*Trailer Bill Language*

1. Adopts language to allow the use of \$1.4 million in bond funds to pay for repair, rehabilitation, and replacement of equipment at various state-owned migrant centers.
2. Adopts language authorizing a fee to reimburse the state for the cost of administering the Enterprise Zone Program.
3. Adopts language that clarifies and narrows the housing element mandate on local government, to reduce GF cost for the mandate.
4. Adopts language to limit future rent increases for residents of Office of Migrant Services facilities.

**2320 DEPARTMENT OF REAL ESTATE**

- Augmented \$775,000, special funds, and added 13 new positions to issue licenses and reduce wait times.

**2780 STEPHEN P. TEALE DATA CENTER**

- Added 10 positions that will be funded within existing resources.

**8260 CALIFORNIA ARTS COUNCIL**

- Approved as budgeted.

**8380 DEPARTMENT OF PERSONNEL ADMINISTRATION**

- Approved Finance Letter to eliminate five positions for GF savings of \$259,000.

**8620 FAIR POLITICAL PRACTICES COMMISSION**

- Amended a \$809,000 reduction to the FPPC's nonstatutory funding by adding back \$309,000 GF for legal council, political reform consultants, public outreach, local law enforcement activities, and other administrative activities.

**8910 OFFICE OF ADMINISTRATIVE LAW**

- Adopted a \$100,000 GF unallocated reduction.
- Rejected a proposed \$605,000 GF and seven-position increase for a two-year limited-term assignment to address increased Determinations and Regulations Compliance Program workload.

**9210 LOCAL GOVERNMENT FINANCING**

- Approved funding for \$200 million GF for the Citizen's Option for Public Safety (COPS) and the Juvenile Justice Grants programs.
- Adopted a \$1,000 "placeholder" appropriation for booking fee subventions to replace the Administration's \$38 million proposed reduction.
- Adopted a \$1.3 billion GF savings estimate for the budget year and following year. These savings will be created by reductions to city, county, special district, and redevelopment agency budgets.

**9650 SUPPORT FOR HEALTH AND DENTAL BENEFITS FOR ANNUITANTS**

- Adopted a \$1.6 million GF savings resulting from decreased dental premium costs.

**9800 AUGMENTATION FOR EMPLOYEE COMPENSATION**

- Approved as budgeted in the Governor's January 10 budget.
- Kept open all May Revision proposed changes.

**9916 REFORM OF REAL PROPERTY ASSET MANAGEMENT**

- Added a new statewide budget item to implement a comprehensive review and reform of the state's asset management practices and structures. The subcommittee referred implementing trailer bill changes to policy committee. Anticipated savings in the budget year from this proposal are \$50 million GF.

**CONTROL SECTIONS****3.60 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS**

- Adopted revised rates for the six retirement classes, pursuant to the PERS Board meeting on May 18.
- Approved the Governor's Budget proposal to sell Pension Obligation Bonds, with expected revenues from this sale of \$929 million GF in the budget year.

**4.10 EMPLOYEE COMPENSATION SAVINGS**

- Approved the Administration's request to conduct one-time statewide reductions to appropriations in order to generate \$150 million GF in budget year savings. Legislative intent language was adopted to resolve issues regarding the programs that will be reduced.

**4.45 E-BUDGET**

- Rejected the Administration's proposal to transfer appropriation authority for Governor's Budget printing from the Department of General Services to the Department of Finance.

**5.50 CONTRACT SAVINGS**

- Reversed projected ongoing savings of \$100 million, per the May Revise, that were built into the current-year budget. Savings were unachievable largely due to double counting by departments.

**14.00 SPECIAL FUND LOANS: DEPARTMENT OF CONSUMER AFFAIRS**

- Approved special fund loan authority for loans between Boards and Commissions in the Department of Consumer Affairs.

**15.00 DATA CENTER CONSOLIDATION**

- Approved authority for budget realignment related to consolidation of the state's data centers. The control section additionally provides for a \$3.5 million transfer from the Stephen P. Teale Data Center Revolving Fund to the GF.

**16.00 TRIBAL GAMING REVENUE / REPAYMENT OF TRANSPORTATION LOANS**

- Approved the use of one-time tribal gaming revenues to repay loans made from transportation accounts to the GF.

**27.00 DEFICIENCY REPORTING REQUIREMENTS**

- Deleted Control Section 27.00, which stipulates the procedures and requirements related to deficiency funding requests.

**33.50            STRATEGIC SOURCING**

- Adopted legislative intent language to permit the Administration to identify means to streamline procurement through “Strategic Sourcing.” The Administration will utilize a performance-based contract to identify a private entity to generate ongoing savings of \$96 million GF.

**34.50            PUBLIC BENEFIT TRUST FUND**

- Adopted legislative intent language to recognize revenues to be generated by the state taking 75 percent of the award in trials where punitive damages are assessed. The proposed trailer bill includes provisions to restrict liability and settlement amounts and will be reviewed by the policy committee. The Administration estimates \$450 million GF ongoing by establishing this transfer.

## JUDICIARY

### **0250 JUDICIARY**

- Approved the May Revise proposal to increase funding by \$4.3 million GF due to increases in judges' salaries and benefits, employee salaries, and increased costs of contract security services. Reduced the unallocated reduction from \$9.8 million to \$8.5 million, \$3 million of which is ongoing.
- Approved May Revise proposal to increase expenditures from the Trial Court Facilities Construction Fund by \$23.3 million and 65 positions to begin the transition of court facilities from counties to the state.

### **0280 COMMISSION ON JUDICIAL PERFORMANCE**

- Approved as budgeted -- \$3.9 million.

### **0390 CONTRIBUTIONS TO JUDGES' RETIREMENT SYSTEM**

- Approved expenditures of \$116.2 million GF, leaving a one-month reserve for the fund.

### **0450 STATE TRIAL COURT FUNDING**

- Approved the May Revise proposal to increase funding to the Trial Court Trust Fund by \$99.1 million GF for existing costs that trial courts are experiencing. The proposal includes the following increases: \$23.1 million for court staff retirement, \$28.8 million for court security, \$27.6 million related to the judges' retirement system, \$11.5 million for nonsalary-driven benefit increases, \$9.6 million for salary and benefit contract costs, \$8.1 million for judges' salary and benefits, and \$1.5 million for county charges. The proposal also increases the unallocated reduction by \$11 million (from \$59 million to \$70 million), and makes \$20 million of the unallocated reduction ongoing.
- Rejected May Revise proposal to achieve \$6.4 million in GF savings through the implementation of electronic court recording. Adopted intent language for the Legislature to address the use of electronic reporting equipment in the trial courts.
- Rejected the May Revise proposal to achieve \$312,000 in GF savings through the elimination of the governmental exemption from civil court filing fees.



- Rejected the May Revise proposal to achieve \$372,000 in GF savings through reduction of the number of preemptory challenges in all cases.
- Rejected the May Revise proposal to achieve \$241,000 in GF savings through implementation of smaller jury panel sizes statewide.
- Rejected the May Revise proposal to achieve \$173,000 in GF savings by decreasing the jury size from 12 to 8 in limited civil cases.
- Rejected the May Revise proposal to achieve \$2.3 million in GF savings through elimination of juror pay for governmental employees.
- Rejected May Revise trailer bill language requiring the Judicial Council to establish a working group to review trial court collective bargaining issues. Adopted intent language to address the collective bargaining process in the trial courts.
- Approved a loan of \$30 million from the State Court Facilities Construction Fund to the GF.
- Adopted intent language to direct Judicial Council to work with the DOF and LAO to develop an improved court budgeting process.
- Adopted intent language to review the impacts of the new and increased filing fees and to consider recommendations for a statewide uniform fee structure.